



STATE OF ARIZONA
OFFICE OF THE GOVERNOR

DOUGLAS A. DUCEY
GOVERNOR

EXECUTIVE OFFICE

March 20, 2020

The Honorable Katie Hobbs
Secretary of State
1700 W. Washington, 7th Floor
Phoenix, AZ 85007

Dear Secretary Hobbs:

I am transmitting to you the following bills from the Fifty-fourth Legislature, 2nd Regular Session, which I signed on March 20th, 2020:

S.B. 1036 empowerment scholarships; third-party administrator; repeal (Allen, S.)
S.B. 1038 insurance policies; transfers; affiliated insurers (Livingston)
S.B. 1100 STO report; DOR; posting deadline (Mesnard)
S.B. 1113 mortgaged property; tax statements; information (Leach)
S.B. 1224 empowerment scholarships; qualifications; administration; appropriations (Allen, S.)

Sincerely,

Douglas A. Ducey
Governor
State of Arizona

cc: Senate Secretary
Chief Clerk of the House of Representatives
Arizona News Service

Senate Engrossed
FILED
KATIE HOBBS
SECRETARY OF STATE

State of Arizona
Senate
Fifty-fourth Legislature
Second Regular Session
2020

CHAPTER 9
SENATE BILL 1038

AN ACT

AMENDING SECTIONS 20-1652 AND 20-1654, ARIZONA REVISED STATUTES; RELATING
TO INSURANCE POLICIES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

Be it enacted by the Legislature of the State of Arizona:

Section 1. Section 20-1652, Arizona Revised Statutes, is amended to read:

20-1652. Grounds for valid notice of cancellation; inquiries; definitions

A. After a policy has been in effect for sixty days or, if the policy is a renewal, effective immediately, ~~no~~ A notice of cancellation ~~may be~~ IS NOT effective unless it is based on the occurrence, after the effective date of the policy, of one or more of the following:

1. Nonpayment of premium.
2. Conviction of the named insured of a crime arising out of acts increasing the hazard insured against.
3. Acts or omissions by the insured or the insured's representative constituting fraud or material misrepresentation in obtaining the policy, continuing the policy or presenting a claim under the policy.
4. Discovery of grossly negligent acts or omissions by the insured substantially increasing any of the hazards insured against.
5. Substantial change in the risk assumed by the insurer, since the policy was issued, except to the extent that the insurer should reasonably have ~~foreseen~~ FORESEEN the change or contemplated the risk in writing the contract.
6. A determination by the director ~~of insurance~~ that the continuation of the policy would place the insurer in violation of the insurance laws of this state.
7. Failure of the insured to take reasonable steps to eliminate or reduce any conditions in or on the insured premises that contributed to a loss in the past or will increase the probability of future losses.

B. ~~In the event of~~ IF nonrenewal IS based on THE condition of the premises, the insured shall be given thirty days' notice to remedy the identified conditions. ~~In the event that~~ IF the identified conditions are remedied, coverage shall be renewed. ~~In the event that~~ IF the identified conditions are not satisfactorily remedied, the insured shall be given an additional thirty days, ~~upon~~ ON payment of premium, to cure the defective condition. Any insured who believes nonrenewal under this subsection is arbitrary or capricious may ~~utilize~~ USE the appeal procedures set forth in section 20-1633.

C. If an insurer uses for underwriting purposes information from a report provided by, or database maintained by, an insurance support organization or consumer reporting agency related to the premises that is the subject of the application or to the person applying for insurance, the insurer shall obtain that information as soon as practicable on application by a person for insurance coverage and before the issuance of a binder of insurance coverage. Failure of the insurer to timely obtain the information required by this subsection precludes the insurer from declining insurance coverage or terminating a binder of insurance coverage

1 based on the information. This subsection does not apply to a policy
2 renewal.

3 D. This section does not affect the provisions of section 20-1120.

4 E. After thirty days from the application by an insured for
5 insurance coverage, no declination of insurance coverage or termination of
6 a binder shall be based on information from a consumer report, including a
7 consumer report provided by, or database maintained by, an insurance
8 support organization or consumer reporting agency related to the premises
9 that is the subject of the application or to the person applying for
10 insurance. Notwithstanding any other law, an insurer may decline or
11 terminate insurance coverage based on the condition of the premises as
12 determined through a physical inspection of the premises.

13 F. An insurer shall not consider as a claim any inquiry by an
14 insured into whether a policy will cover a loss or about the type or level
15 of coverage. An insurer shall not use such an inquiry, regardless of the
16 source of the information that an inquiry was made, as a basis for
17 declining, nonrenewing or canceling insurance coverage or a binder of
18 insurance coverage. An insurer shall not submit to any insurance support
19 organization or consumer reporting agency that a mere inquiry was made to
20 the insurer as to the terms or coverage of a policy of insurance. An
21 inquiry into coverage on a property insurance policy is not a claim
22 activity unless an actual claim is filed by the insured that results in an
23 investigation of the claim by the insurer.

24 G. FOR THE PURPOSES OF THIS SECTION, NONRENEWAL DOES NOT INCLUDE
25 THE ISSUANCE AND DELIVERY OF A NEW POLICY WITHIN THE SAME INSURER OR AN
26 INSURER UNDER THE SAME OWNERSHIP OR MANAGEMENT AS THE ORIGINAL INSURER AS
27 PROVIDED IN THIS SUBSECTION. AN INSURER MAY TRANSFER ANY OF ITS POLICIES
28 TO AN AFFILIATED INSURER. AN INSURER MAY NOT TRANSFER A POLICYHOLDER
29 BECAUSE OF THE POLICYHOLDER'S LOCATION OF RESIDENCE, AGE, RACE, COLOR,
30 RELIGION, SEX, NATIONAL ORIGIN OR ANCESTRY. A TRANSFER BY AN INSURER
31 PURSUANT TO THIS SUBSECTION DOES NOT ALLOW THE INSURER TO APPLY A NEW
32 UNRESTRICTED SIXTY-DAY PERIOD FOR CANCELLATION OR NONRENEWAL.

33 ~~G.~~ H. For the purposes of this section:

34 1. "Consumer reporting agency" has the same meaning prescribed in
35 section 20-2102.

36 2. "Insurance support organization" has the same meaning prescribed
37 in section 20-2102.

38 Sec. 2. Section 20-1654, Arizona Revised Statutes, is amended to
39 read:

40 20-1654. Mailing or delivery of notice of intention not to
41 renew to insured; time; term of policy

42 A. Unless the insurer, at least thirty days ~~in advance of~~ BEFORE
43 the end of the policy period, mails or delivers to the named insured at
44 the address shown in the policy, notice of its intention not to renew the
45 policy or to condition its renewal ~~upon~~ ON reduction of limits or

1 elimination of coverages, the insurer shall not fail to renew the policy
2 ~~upon~~ ON payment of the premium due on the effective date of the renewal,
3 in accordance with the then existing rating manual of the insurer.

4 B. For the purposes of this section: —

5 1. Any policy written for a term of less than one year may be
6 renewed for a term of one year if the notice is not given as required by
7 ~~this~~ subsection A OF THIS SECTION. For the purposes of ~~this~~ subsection A
8 OF THIS SECTION, a policy with no fixed expiration date ~~shall be~~ IS deemed
9 written for successive policy periods of one year.

10 2. NONRENEWAL DOES NOT INCLUDE THE ISSUANCE AND DELIVERY OF A NEW
11 POLICY WITHIN THE SAME INSURER OR AN INSURER UNDER THE SAME OWNERSHIP OR
12 MANAGEMENT AS THE ORIGINAL INSURER AS PROVIDED IN THIS PARAGRAPH. AN
13 INSURER MAY TRANSFER ANY OF ITS POLICIES TO AN AFFILIATED INSURER. AN
14 INSURER MAY NOT TRANSFER A POLICYHOLDER BECAUSE OF THE POLICYHOLDER'S
15 LOCATION OF RESIDENCE, AGE, RACE, COLOR, RELIGION, SEX, NATIONAL ORIGIN OR
16 ANCESTRY. A TRANSFER BY AN INSURER PURSUANT TO THIS PARAGRAPH DOES NOT
17 ALLOW THE INSURER TO APPLY A NEW UNRESTRICTED SIXTY-DAY PERIOD FOR
18 CANCELLATION OR NONRENEWAL.

19 ~~B.~~ C. This section ~~shall~~ DOES not apply if the insured has
20 accepted replacement coverage or has agreed to nonrenewal.

APPROVED BY THE GOVERNOR MARCH 20, 2020.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MARCH 20, 2020.

Passed the House March 12, 2020,

by the following vote: 58 Ayes,

0 Nays, 2 Not Voting

McR. Blaylock
Speaker of the House
Pro Tempore

Jim Drake
Chief Clerk of the House

Passed the Senate January 30, 2020,

by the following vote: 30 Ayes,

0 Nays, 0 Not Voting

Karen Farkas, President
President of the Senate

Susan Adams
Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill was received by the Governor this

16th day of March, 2020,

at 2:08 o'clock P M.

[Signature]
Secretary to the Governor

Approved this 20th day of

March, 2020,

at 4:11 o'clock P M.

[Signature]
Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State

this 20 day of March, 2020,

at 5:25 o'clock P M.

[Signature]
Secretary of State

S.B. 1038